

BUILDING INTEGRITY

Corruption risks in infrastructure
projects in the Pacific

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Transparency International Australia acknowledge the Wurundjeri Woi Wurrung people of the Kulin Nation, the Traditional Owners of the land on which our Melbourne office stands. We pay our respects to Elders, past and present.

Every effort has been made to verify the accuracy of the information contained in this report. All information was believed to be correct as of March 2024. Nevertheless, Transparency International Australia cannot accept responsibility for the consequences of its use for other purposes or in other contexts.

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EXECUTIVE SUMMARY

Infrastructure has the potential to drive the development demands of growing economies, respond to climate change, and eradicate poverty. Infrastructure is increasingly a foundation of Australia's foreign policy and closely linked to geostrategic competition within the Indo-Pacific region.

The infrastructure sector is one of the most corruption-prone sectors globally. The Infrastructure Transparency Initiative estimates USD\$6 trillion could be lost annually by 2030 through corruption, mismanagement and inefficiency. Additionally, the sector is shaped by political priorities which can sometimes run counter to good governance processes and be susceptible to undue influence.

Corruption risks exist across the infrastructure project cycle. Efforts to address corruption in infrastructure have tended to focus on the contracting and procurement stages with less attention given to preventing corruption at the project preparation stages which can have huge impacts that can result in cost blow-outs and projects that are not fit for purpose. For these reasons, we have focussed our research on the early project preparation stage where projects are prioritised and selected.

This report highlights some key findings on the quality of the policy frameworks for infrastructure project preparation in seven Pacific Islands countries and Timor-Leste. The research assessed and compared the **governance context** of each country using data from the Worldwide Governance Indicators and Transparency International's Global Corruption Barometer and Corruption Perceptions Index. It then assessed the **strategic and infrastructure planning documents** (including strategic development plans and infrastructure development plans) of each country for detail, consistency and transparency to see where there might be weaknesses that provide opportunities for decisions to be open to political or undue influence. Finally, the report assessed some of the **supporting assessments** used to decide whether to proceed with an infrastructure project. These

assessments look at socio-economic analysis, fiscal affordability assessments, consideration of a public-private partnership model and environmental and social impact assessments. Detailed decision-making processes that are publicly available can provide opportunities for interested stakeholders to hold decision-makers accountable and reduce the risk of undue influence and corruption.

We have identified a number of risks present in the project preparation policies of the countries studied. There was evidence that although all countries in this report have spent considerable time and resources updating their planning documents, these weren't always implemented in practice. In addition, there are questions around the management of fiscal costs (Nauru), unclear methodology for public financial management (Solomon Islands), and a reliance on development partner funding to carry out detailed assessments and for prioritising project lists (Kiribati, Nauru, Timor-Leste, Palau, and Papua New Guinea).

This desk-based research is limited to the documents that are publicly available and to develop deeper understanding of the specific corruption risks in each country and how policies are implemented in practice at the project level, Transparency International Australia's *Infrastructure Corruption Risk Assessment Tool* could be implemented.

Reducing corruption risks will result in better project outcomes and infrastructure that is fit for purpose, meets community needs and is within budget. It will also reduce the risk that development partners inadvertently become linked to projects that are later shown to be tainted by corruption.



FINDINGS AND RECOMMENDATIONS

For donors

1. A high-risk governance context exists across the region. Relatively poor public regulatory environments and weak corruption controls across the Pacific increase the risks of corruption and undue influence, which may **undermine the integrity of infrastructure decisions**.

Recommendation:

Donor governments should continue to support institutional strengthening and robust reform agendas. This should include providing complementary funding to local civil society organisations and communities to enable them to play a role in accountability and transparency of public spending. Local civil society has an important role to play in holding governments to account for the delivery of quality infrastructure that meets Sustainable Development Goals (SDGs).

2. All countries either included whole-of-life costs of infrastructure proposals and/or identified rehabilitation projects (as well as new developments) in the process of costing and financing of projects. This is a promising trend considering concerns have been raised in the past about a trend of 'build-neglect-rebuild' in the Pacific. The improvement is likely attributable to technical support from the Pacific Regional Infrastructure Facility (PRIF).
3. The Pacific Regional Infrastructure Facility (PRIF) has played a significant role in the development of strategic infrastructure planning documents of all countries in this report except Papua New Guinea and Timor-Leste. There is some indication, however, that implementation of these documents falls over time or fails to be fully implemented at the project level.

Recommendation for findings 2 and 3:

Donor governments and donor agencies must continue to support — bilaterally and through the organisations such as the PRIF — the development and implementation of identification and prioritisation policies and processes. They should look beyond strategic planning to include guidance on detailed assessments such as environmental and social impact assessments and domestically run cost-benefit analysis and to support their implementation over the long-term.

For host governments

4. There is a lack of information on who (government agency/Ministers) is involved in, and ultimately responsible for, prioritisation processes that develop priority infrastructure lists. (Micronesia, Nauru, Palau, Papua New Guinea, Timor-Leste, see Table 2.) This regularly has to be assumed or interpreted and is a corruption risk that could make processes open to influence by political agendas.

Recommendation:

Prioritisation processes should clearly identify who is involved and ultimately responsible for national prioritisation processes and the decisions that determine infrastructure priority lists.

5. Across the eight countries assessed, there was little evidence of domestically run cost-benefit analyses. This likely points to a lack of capacity, resources, or expertise to carry them out. This means there is a higher risk of poor, unsuitable or politically motivated projects being selected, particularly for smaller-scale, locally run projects. While cost-benefit analyses are routinely run by development partners for large infrastructure projects, domestically run processes would bring consistency, clarity and independence of the prioritisation processes across the board.

Recommendation:

Countries should consider developing their own cost-benefit processes and could look to relevant examples such as the New Zealand Treasury's Guide to Social Cost Benefit Analysis for guidance on simple cost-benefit analyses that would be appropriate for smaller-scale, locally run projects.

6. While nearly all countries identify the potential for Public-Private Partnerships (PPPs) in their funding strategies, PPP consideration did not appear to be embedded in project proposals or identification processes. Not having a standard process for considering whether a PPP is the best option is a corruption risk that can leave decision-making processes open to manipulation.

Recommendation:

Countries should embed PPP consideration in project proposal and identification processes.

7. All countries (except Micronesia and Solomon Islands in 2013) have a long list of prioritised projects that are not refined by financial capacity to implement. This is likely due to reliance on donor funding and donor assessments. This risk is that the process is less defined, ad hoc and potentially open to manipulation by vested interests.

Recommendation:

Host countries should consider further refining prioritised lists of projects to include financial capacity to implement the project.

For civil society

8. There is evidence of documented processes not being implemented in practice (see finding 9, country specific finding 3). There could be multiple reasons for this including lack of capacity or resources, lack of technical expertise or lack of political will.

Recommendation:

Civil society organisations should be supported to carry out additional research using the ICRAT tool to identify whether differences in policy and practice are more widespread. Collecting evidence will enable civil society to hold their governments to account for these processes and seek their compliance with them for the development of quality infrastructure that helps achieve SDGs and meets community needs (see also recommendation 1 for donors and 9 for all).

For all

9. While each of the eight countries have processes for assessing environmental and social impacts, only three of the eight had a specific methodology for conducting these assessments. Our research into how environmental impact assessments worked in practice resulted in examples of where these assessments were not, or not always performed (Palau, Micronesia, Timor-Leste p27), had insufficient capacity to perform or were exempted (Nauru p27), or bypassed (Timor-Leste p27), suggesting an implementation or compliance issue with these assessments.

Recommendation:

Host governments should continue to seek resources and training from donor governments, development banks or the Pacific Regional Infrastructure Facility (PRIF) to support the development of technical expertise in the relevant countries' ministries to carry out environmental and social impact assessments.

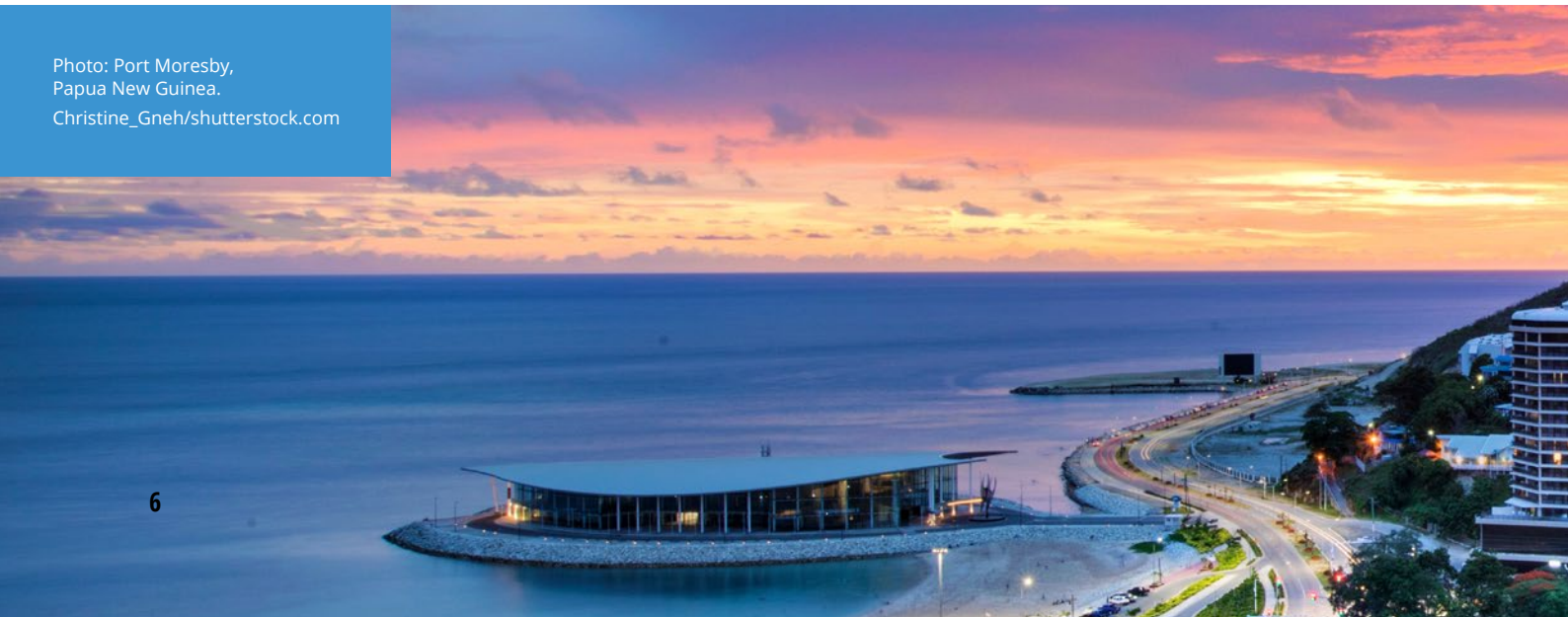
Donor governments, multilaterals and agencies such as the Pacific Regional Infrastructure Facility (PRIF) should offer support to Pacific countries for the development of technical expertise in the relevant countries' ministries to carry out environmental and social impact assessments.

Civil society should be supported to engage with and monitor environmental and social impact assessments (see recommendation 7).



Civil society should be supported to engage with and monitor environmental and social impact assessments.

Photo: Port Moresby,
Papua New Guinea.
Christine_Gneh/shutterstock.com



COUNTRY-SPECIFIC FINDINGS

See Appendix 1: for summaries of findings for each country

Papua New Guinea

1. The process in Papua New Guinea lacks transparency. The Mid-Term Development Plan (MTDP), which sets out the detailed infrastructure agenda including gaps, priorities and a list of prioritised projects, is purposefully linked to the parliamentary cycle and makes the process easily open to influence by political agendas. The MTDP neither shares the process, nor the supporting documentation used to arrive at conclusions. This is a transparency risk that leaves the process open to manipulation by vested interests.

Recommendation:

Papua New Guinea should delink the MTDP from the parliamentary cycle and share more detail about the process and supporting assessments used to develop the plan.

Nauru

2. Nauru's prioritisation process involves a multi-criteria analysis that combines project readiness concepts and the expected impact of the project. A single score applied to multiple criteria can mask the underlying reasons for a project's score and makes it harder to compare projects. This can result in a prioritisation process that creates misinterpretations of overall project scores and makes decisions harder to scrutinise. Nauru's process lacks clarity on how fiscal costs are managed budget to budget (p30). It is not clear, but there is concern that costs have increased dramatically without explanation. This could be an indicator that corruption or mismanagement has occurred.

Recommendation:

Nauru should consider further clarifying and providing more detail in the prioritisation process. When developing multi-criteria analyses, countries should ensure that distinct factors are kept separate and efforts should be made to explain how scores have been derived including the choice of objectives and weights to reduce the risk of bias being hidden behind seemingly objective scores. The budget should note the reason for changes in costs.



Nauru and Solomon Islands

3. There was evidence that countries with older processes were not consistently applying them over time (See Nauru p33 and Solomon Islands p34). In Nauru, despite having a National Sustainable Development Strategy (NSDS) and a National Strategic Infrastructure Investment Plan (NSIIP) in place for the last four years, there was no reference to these in the Ministry of Finance's 2021- 22 Annual Report, the Budget or the Infrastructure Investment Planner. In Solomon Islands the 2018 Public Investment Management Diagnostic states that a Ministry of National Planning and Development Coordination review of the National Infrastructure Investment Plan (NIIP) found that the NIIP had limited influence on infrastructure investment.

Recommendation:

TIA and the relevant TI Chapters should monitor this trend to understand the reasons for this (e.g., capacity, technical expertise, political factors, inconsistency with other planning documents), and whether other countries in this paper will follow the same trend over time. Governments, donors and the PRIF should consider offering further support to Pacific governments to continue to develop expertise in the relevant government departments to ensure key planning and policy documents are actually applied. TI and relevant TI Chapters should continue to call on governments to demonstrate accountability and transparency of policies and policy changes over time.

Solomon Islands

4. In Solomon Islands two prioritisation processes were developed. The more recent Priority Investment Pipeline (PIIP) was based on the new governments priorities, made little justification for the inclusion of new projects, made marginal decisions between projects with the same priority score, changed the prioritisation criteria and mixed project readiness and impact in such a way that the PIIP makes it more difficult to understand why a project received its score. While this change may be justifiable it could indicate that the government is changing the process to support political priorities and potentially creates a precedent for new governments to continually change the process to affect outcomes. This is a corruption red flag.

Public investment management processes are unclear and this leaves investment process open to manipulation by vested interests.

The Public Investment Management Diagnostic, which describes the processes applicable to public investment in Solomon Islands, identified the National Transport Plan as providing the methodological model for public financial management, however this was not identified in a scan of the document.

Recommendation:

Governments should ensure transparency of public procurement processes and provide justification for changed priorities and demonstrate that the new approach is linked to strategic planning, provides value for money, and aims to deliver infrastructure that meets SDGs and community needs.

TI Solomon Islands and local civil society organisation and partners such as TIA should monitor the process to see if it changes again in the context of a new government and whether this approach to updating policies is replicated in other countries.

TI Chapters should continue to call on governments to demonstrate accountability and transparency of policies and policy changes over time.

Timor-Leste

5. Access to publicly available information for Timor-Leste was hard to find; in particular we could not find the Infrastructure Fund Administration Manual. The process for prioritising and appraising projects is therefore unclear. We found examples of decision-making processes (environmental impact assessments (EIAs)) being bypassed, which is a corruption risk.

Recommendation:

Timor-Leste should publish key documents online to increase the transparency of prioritisation and appraisal processes.

Timor-Leste should strengthen their decision-making processes to ensure that key processes, such as EIAs, are followed. Civil society and donor governments should monitor the implementation of decision-making processes to ensure they are followed.

Federated States of Micronesia

6. In Federated States of Micronesia, the process for project prioritisation is only transparent at a high level. The process lacks documentation around how projects are prioritised, leaving room for subjective judgement. Added to this there is no transparency over who is involved in making these decisions. These two factors together are a corruption risk. We also found evidence that environmental consideration required in risk assessments was only done on a small number of projects.

Recommendation:

Federated States of Micronesia should publish details of the prioritisation process including who is involved in decision making. The government should also strengthen accountability of risk assessment processes to ensure that all appropriate assessments are conducted, including environmental assessments.

INTRODUCTION

Infrastructure has the potential to drive the development demands of growing economies, respond to climate change, and eradicate poverty. Infrastructure is critical to development; it powers cities, builds roads and telecommunications so that people can reach markets, provides access to clean water, education, and employment opportunities.

Infrastructure is increasingly becoming a foundation of Australia's foreign policy and an important pillar of Australia's partnerships within the Asia-Pacific region. In Australia's International Development Policy 2023, infrastructure is referred to as the 'backbone of every economy and society' and Australia commits to sharing expertise and supporting partner governments to achieve their infrastructure needs and drive local development outcomes.¹ The aims are comprehensive and range across the infrastructure project cycle from policy, planning, preparation, to procurement, financing and maintenance.

The Australian Infrastructure Financing Facility for the Pacific (AIFFP) is one part of Australia's infrastructure investment approach.² Becoming operational in 2019, it provides concessional finance, including grants and loans to support the development of high-quality infrastructure in the Pacific and Timor-Leste. AIFFP has AUD\$4 billion in finance, including loans and grants and has approved 14 projects in 8 countries: Fiji, Kiribati, Nauru, Federated States of Micronesia, Timor-Leste, Palau, Papua New Guinea and Solomon Islands.³ This report focuses on the countries funded under the AIFFP.

Geopolitics

Globally investment in infrastructure is on the rise — the value of global construction output is expected to reach USD\$17.5 trillion a year by 2030.⁴ The Global Infrastructure Hub estimates there is a USD\$15 trillion investment gap between projected investment

and the amount needed to provide adequate global infrastructure by 2040.⁵ However, the Infrastructure Transparency Initiative estimates USD\$6 trillion could be lost annually by 2030 through corruption, mismanagement and inefficiency.⁶

Increased geostrategic competition in the Pacific has seen the financing of infrastructure development become an international policy priority for Australia and other like-minded partners particularly the European Union, United States, Japan and the United Kingdom. This approach is in response to concerns about China's rise as an infrastructure financier.⁷

Corruption-prone sector

The infrastructure sector is one of the most corruption-prone sectors globally. It is a sector inherently shaped by political priorities — which can sometimes run counter to good governance processes and is susceptible to undue influence.⁸ Added to this, there are multiple factors that increase corruption risks — the fact that no two projects are the same, the difficulties of comparing prices across projects, the multiple actors involved, the high level of complexity, long timeframes from development to construction and a culture of secrecy.⁹ These vulnerabilities can be exploited through undue influence in the needs assessment, bribery of public officials, fraud in bid evaluations, invoices or contract obligations.¹⁰ With infrastructure investment a priority of Australia's aid program, there must also be appropriate investment into measures that will reduce the corruption risks.



Photo: Aerial photo of Honiara city,
Solomon Islands and its harbour.
Gilmore Tana/shutterstock.com

Across the infrastructure project cycle and within infrastructure projects, there are different vulnerabilities to corruption at each stage. During project identification and selection, stakeholders can attempt to undermine, through bribery or undue influence, merit-based selection processes. The procurement and construction phases are particularly vulnerable to corruption through bribery and contract re-negotiation.¹¹ While this phase has typically been understood to contain higher risks and where most efforts have been made to tackle corruption,¹² if corrupt actors are able to manipulate the project selection stage it can result in cost blow-outs and projects that are not fit for purpose. Undue influence in the identification and selection stage can skew decisions towards vested interest, bypassing or influencing decisions around purpose, need or environmental, social and governance (ESG) considerations. In fact, the high profits and multimillion-dollar contracts on offer can provide a high incentive for stakeholders to attempt to influence the identification, selection and planning process. The impact of this is that the projects ultimately built do not represent value for money or the public good.¹³

Corruption in the identification and selection stage can also have huge budget implications over the life of the project. For example, when fraudulent information is used to pass technical or other assessments it can result in high costs later on to fix faulty infrastructure. Another risk is proposed budgets in the bidding stage that overestimate outcomes or underestimate cost in order to win contracts. This type of fraud is difficult to detect and the high costs associated with re-contracting can mean that governments have a perverse incentive to reward this behaviour without any negative consequences for the bidder.¹⁴

Addressing a knowledge gap

While there are huge risks to poor identification and selection processes, anti-corruption approaches that target this phase of infrastructure development have been neglected, and perhaps as a result so has the relevant regulatory framework. In 2020, the Global Infrastructure Hub's InfraCompass tool (which assesses the strengths of the infrastructure enabling environment for 81 countries) showed that procurement measures, typically the focus of anti-corruption efforts, were the most improved globally, whereas planning (the project selection and identification stage) was the least improved globally since 2017.¹⁵



“ The Infrastructure Transparency Initiative estimates USD\$6 trillion could be lost annually by 2030 through corruption, mismanagement and inefficiency.⁶

Access to publicly available project-level data for the project selection stage of infrastructure decision making is rare. There is, however, publicly accessible information that exists about the governance and policy framework for project identification and selection. The policy framework in a country can provide an understanding of the decision-making environment, including where there might be gaps that allow corrupt actors or special interests to manipulate the process. By analysing the decision-making environment in the AIFFP funded countries (Fiji, Kiribati, Nauru, Federated States of Micronesia, Timor-Leste, Palau, Papua New Guinea and Solomon Islands) we aim to understand where these processes might be vulnerable to corruption.

A well-developed policy framework can be an indication of the level of transparency around the decision-making process. The coordination between the different layers of policy documents and consistency between the sector strategies and the actual projects selected can demonstrate a level of integrity within the selection process. Decision-making processes that operate outside those processes would therefore have higher risks of political capture.

This report highlights some key findings on the quality of the policy framework for infrastructure project preparation across seven Pacific Islands countries and Timor-Leste. The research assesses the governance context in each country, strategic infrastructure planning documents and, the supporting assessments and their methodologies for prioritising and approving infrastructure projects. Further research using *Transparency International Australia's Infrastructure Corruption Risk Assessment Tool (ICRAT)* would provide additional detail about how these processes are implemented in practice at the individual project level.

Photo: Nauru phosphate loading station.
Robert Szymanski/shutterstock.com



GOVERNANCE CONTEXT

Relatively poor public regulatory environments, poor control of corruption and poor government effectiveness across the Pacific increases the risks of corruption and undue influence distorting decision making.

Federated States of Micronesia, Fiji, Kiribati, Nauru, Timor-Leste, Palau, Papua New Guinea and Solomon Islands are diverse in culture, size, geography and political systems. They have diverse economies and income levels and range from lower-middle-income countries (Federated States of Micronesia, Kiribati, Papua New Guinea, Samoa, Solomons and Timor-Leste), upper-middle income countries (Palau, Fiji) to high-income countries (Nauru).¹⁶ Because of this diversity it can be difficult to identify trends or similarities across the region. There are, however, some common characteristics that can make the eight countries assessed in the report susceptible to corruption such as reliance on natural resources, narrowly based economies, their remoteness from major markets and vulnerability to external shocks such as a health crisis.¹⁷ Many countries across the Pacific Islands share common forms of corruption, including bribery, nepotism, cronyism, and political corruption.¹⁸

We looked at a range of sources to assess and compare the regulatory environment of each country. The Worldwide Governance Indicators included data from all eight countries. The Global Corruption Barometer Pacific included five out of the eight countries (Federated States of Micronesia, Fiji, Kiribati, Papua New Guinea, Solomon Islands) and the Corruption Perceptions Index included four countries (Fiji, Papua New Guinea, Solomon Islands, Timor-Leste).

Assessing the governance context helps to understand the general political economy of a country and government — the context in which decisions and approvals are made. The government has the overall responsibility for infrastructure projects and funding so high levels of government effectiveness, regulatory quality and control of corruption in the public sector can reduce vulnerability to corruption in infrastructure selection and identification.

The 2021 Global Corruption Barometer Pacific surveyed more than 6000 people in 10 Pacific Countries (Federated States of Micronesia, Fiji, French Polynesia, Kiribati, New Caledonia, Papua New Guinea, Samoa, Solomon Islands, Tonga and Vanuatu). This survey collects information on citizens' experience of corruption. The results show that a majority of people think that corruption is a problem in both the public and private sectors. 61 percent of people surveyed think corruption in government is a big problem and 56 percent of respondents think that corruption is a big problem in the business sector.¹⁹ Concerningly the survey found that people in the Pacific think that public contracting is a high risk area for corruption and that governments are influenced by a few powerful groups rather than the interests of ordinary citizens.²⁰

Photo: Metal launching gantry structure for installing concrete typical segment joint on foundation of flyover expressway in road construction site, Timor-Leste.

Prapat Aowsakorn/istockphoto.com



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As a region, the Pacific scores poorly in Transparency International's Corruptions Perceptions Index (CPI).²¹ The CPI ranks countries out of 100 for their perceived levels of corruption where 0 is highly corrupt and 100 is very clean. Only 4 out of the 8 countries are scored in the CPI in 2023 (Fiji 53, Papua New Guinea 29, Solomon Islands 43, Timor-Leste 43). As a group, these scores are similar to the regional average across the Asia-Pacific of 45 which is only slightly above the global average of 43 but far behind the top scoring region of West Europe and the European Union at 66. The low regional and global average shows that most countries are failing to stop corruption.²² At the

regional level, Pacific leaders continue to demonstrate some commitment to the fight against corruption with the gradual implementation of the Teieniwa Vision. Progress has been slow and the regional average has stagnated now for the fifth year in a row.²³

The Worldwide Governance Indicators rank countries according to factors that can create an environment to support public infrastructure investment and reduce the corruption risks associated with that. There are six dimensions of governance in this data set, we used the scores from three of the dimensions that are of most relevance to the infrastructure identification and selection phase: Government Effectiveness, Regulatory Quality and Control of Corruption.²⁴

The scores represent the percentile rank where 0 is the lowest rank and 100 is the highest rank. No country scored consistently high across all three indicators and the highest scorers across the indicators still did not score particularly highly. Fiji was the highest scorer across the group scoring in the 70th percentile for government effectiveness and the 64th percentile for control of corruption. The highest scorer for regulatory quality was Palau in the 66th percentile.

Worldwide Governance Indicators

● High ● Medium ● Low

Country	Government effectiveness	Regulatory quality	Control of corruption
Fiji	71.23	50.47	64.62
Kiribati	58.96	42.92	61.32
Micronesia, FS	64.15	31.13	67.92
Nauru	60.38	53.30	71.70
Palau	67.45	66.51	71.70
Papua New Guinea	21.70	26.42	25.47
Solomon Islands	26.89	21.70	49.06
Timor-Leste	22.64	33.96	46.70

Regulatory quality is the weakest indicator overall for the region with 6 countries ranking in the 50th percentile or below, meaning that 50 percent of countries globally had better scores on this indicator. Papua New Guinea and Solomon Islands scored below 50 for all 3 of the indicators which demonstrates each country's public sector face challenges in their ability to withstand political pressure or undue influence, and implement sound policies and regulations. Timor-Leste scored some of the lowest scores across all three indicators, indicating deep governance challenges for this country. The lowest scorers of each of the indicators were Solomon Islands for Regulatory Quality, Papua New Guinea for Government Effectiveness, and Papua New Guinea for Control of Corruption.

These scores should be of concern to the countries and funders of infrastructure projects across the region as they indicate challenges with countries' ability implement complex projects. Papua New Guinea and Solomon Islands are the two biggest recipients of overseas development assistance (ODA) across the region as well as the two biggest recipients of infrastructure grants and loans

as part of ODA.²⁵ In 2020 Papua New Guinea received AUD\$426 million in grants and loans for infrastructure projects and Solomon Islands received AUD\$43.99 million.²⁶ Infrastructure investment in both countries is high at 5.4 percent of GDP for Papua New Guinea and Solomon Islands has the highest value of private infrastructure investment as a share of GDP over the last five years.²⁷ While aid to support governance in the region is one of the highest funded sectors, poor governance is a challenge that threatens the effectiveness of other sectors including infrastructure. High levels of infrastructure investment with low relative government effectiveness, regulatory quality and control of corruption increases the risks of corruption.

Worldwide Governance Indicators
High income OECD average

Government effectiveness	85.70
Regulatory Quality	67.27
Control of Corruption	84.49

Worldwide Governance Indicators
Upper middle income average

Government effectiveness	45.42
Regulatory Quality	46.11
Control of Corruption	44.26

Worldwide Governance Indicators
Lower middle income average

Government effectiveness	33.71
Regulatory Quality	30.76
Control of Corruption	33.81

Most of the countries are scoring well below the high-income OECD average across each of the indicators, so there are significant opportunities for improvement.²⁸

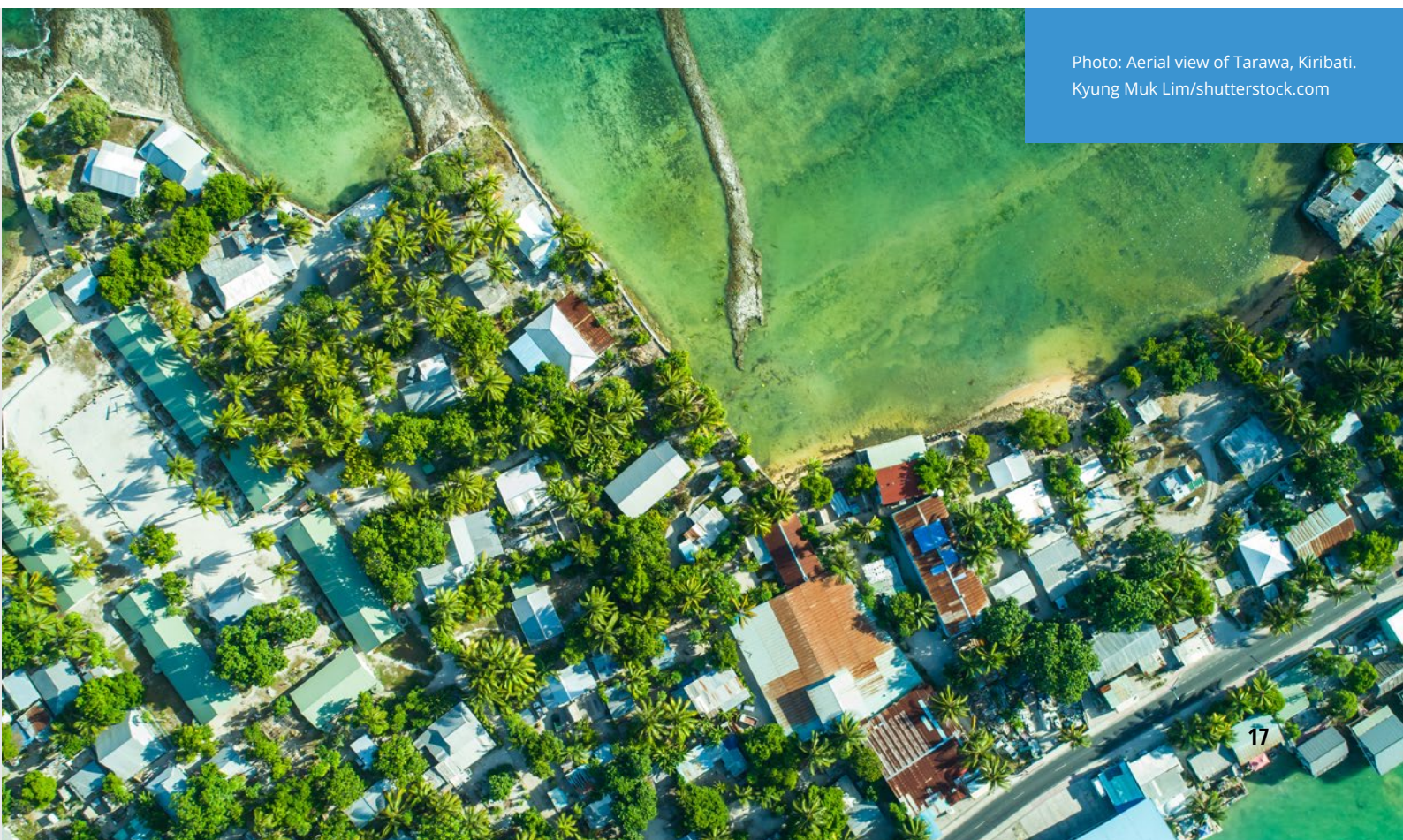


Photo: Aerial view of Tarawa, Kiribati.
Kyung Muk Lim/shutterstock.com

STRATEGIC AND INFRASTRUCTURE PLANNING DOCUMENTS

A detailed medium to long-term planning environment that is consistent and transparent, can reduce opportunities for decisions to be open to political or undue influence.

The basis of good decisions is good planning. Good project preparation and planning creates an enabling environment for infrastructure investment, creating consistency and stability and contributes to long-term sustainability by establishing long-term plans and priorities.²⁹ Good preparation and planning is strengthened by also being transparent and accountable.³⁰ Good project preparation should include long and medium-term infrastructure plans. Infrastructure plans should involve an assessment of the infrastructure gaps and identification of priorities which can then be translated into project pipelines.³¹ Having a dedicated agency responsible for coordinating an integrated approach to infrastructure delivery and policy is also good practice. The more detailed, open and transparent a process is, the less opportunity there is to undermine or bypass the process.

A detailed and systematic project preparation and enabling environment for infrastructure projects encourages and promotes transparency and accountability of decisions. Without clear priorities and pipelines in place it can be easier for businesses to sway government decision-making toward their own interests and it can be harder to detect where there has been undue influence on decision-making.

National Development Plans set out the development strategy for a country over a long time frame, usually 20 years (but some are as short as 5 years), and contain the strategic direction for the country as a

whole which includes development policies, priorities and programmes, providing a single reference point and common direction. These plans usually contain a section dedicated to the infrastructure priorities for the country and identify general areas of focus and targets. Often they also include a list of infrastructure priority projects and sector goals and targets.

Infrastructure investment plans are much more detailed infrastructure planning documents and contain a detailed analysis of the infrastructure sector and sub-sectors, including a gap analysis, a methodology for prioritising projects, a long and shortlist of prioritised projects and details of the prioritisation process that assess criteria such as need, likelihood of completion within the plan timeframe and likelihood of attracting funding.

The Pacific Regional Infrastructure Facility (PRIF) was established in 2008 and provides technical assistance on infrastructure development and sustainable infrastructure management to partners and member countries. The PRIF has played a key role in supporting the development of strategic planning documents and identification and prioritisation processes for the countries assessed. The purpose of the PRIF is to streamline technical assistance and capacity building, improve the quality of infrastructure investments and strengthen the planning, management and maintenance capacity of Pacific Island Countries in infrastructure implementation.³²

Summary of key strategic and infrastructure planning documents (see Table 1)

All of the countries have some form of their infrastructure strategy, identification, prioritisation and/or selection process documented. These documents frequently include political and macroeconomic contextual information and community consultation. Each of the countries has a national development plan or national strategic plan, although Palau has an expired national development plan and is currently in the process of developing a new plan. It has an unofficial version that the Ministry of Finance shares on its website.³³ Six of the eight have an infrastructure investment plan. In Papua New Guinea a Medium Term Development Plan (MTDP) takes the place of an infrastructure investment plan and Timor-Leste does not have a publicly available infrastructure investment plan, which could be considered a corruption risk due to lack of transparency.

Papua New Guinea's Medium Term Development Plan (MTDP) does set out key investments, timing and costs, but it does not share the process, nor the supporting documentation used to arrive at these conclusions. This creates a higher risk of corruption which is exacerbated because the MTDP cycle is purposefully aligned with the parliamentary term³⁴ and makes the process easily open to influence by political agendas.

By developing an infrastructure investment plan, Timor-Leste would strengthen the project preparation enabling environment so that funding could be targeted toward projects of the highest priority and greatest need. Having a clear list of prioritised projects that is linked to an overarching development plan or strategy can also help prevent undue influence in the identification and selection process that would skew decisions towards vested interests over national priorities and needs. While all but one of the countries in this report have developed an infrastructure investment plan, the content of these varies as does the method for developing the prioritised list of projects.



To limit the likelihood that project selection can be skewed in favour of certain interests, detailed, long-term and transparent planning that is coordinated across the different layers of policy documents can limit the grey areas for corruption.

The presence of planning documents on their own does not remove the risk of undue influence. There is a degree of subjectivity built into prioritisation processes which is limited, but not removed, by detailed approaches to prioritisation such as through multi-criteria analyses that consider costs and benefits, value for money and likelihood of attracting finance. To limit the likelihood that project selection can be skewed in favour of certain interests, detailed, long-term and transparent planning that is coordinated across the different layers of policy documents can limit the grey areas for corruption in project selection.

Table 1: Summary of key strategic and infrastructure planning documents

Orange indicates concern / potential area at risk of corruption.

Country	Has a Strategic Development Plan (SDP)?	Inclusions and gaps	Has an infrastructure Investment Plan (IIP)	Inclusions and gaps
Federated States of Micronesia	2004-2023	Strategic Development Plan (SDP) 2004-2023 This does not contain an infrastructure strategy. Instead, there are very high-level statements about an overall vision.	2016-2025	The IIP that accompanied the SDP was not sufficiently clear about its objectives. In 2012, amended Compact infrastructure grants (USA funding) were withheld until an Infrastructure Development Plan was updated. This led to the development of the IDP 2016-2025. ³⁵ The IDP includes a list of prioritised projects for investment.
Fiji	2017-2036 MT: 2017-2021	National Development Plan: 20-Year Development Plan (2017-2036) and a 5-Year Development Plan (2017-2021). ³⁶	2023-2034	National Infrastructure Investment Plan 2023-2034: ³⁷ Provides a prioritised list of high-priority and costed infrastructure projects for the next 5 to 10 years.
Kiribati	2016-2036 MT: 2020-2023	High level strategic vision for Kiribati (similar to a long-term SDP in other Pacific countries). The Kiribati Development Plan (KDP) 2020-2023 ³⁸ is the medium-term implementation of the KV2. Strategic pillar 'Developing our Infrastructure' has seven goals relating to various infrastructure sectors. Includes goals and approaches but no priority list of projects.	2022-2032	Kiribati's first National Infrastructure Investment Plan (NIIP) was developed in 2022-2032 in partnership with the Pacific Region Infrastructure Facility. ³⁹ The NIIP includes a prioritised list of projects.
Nauru	2019-2030	Nauru has produced National Sustainable Development Strategies (NSDS) since 2005, ⁴⁰ with the most recent being developed in 2019, covering the period 2019-2030. Includes goals and approaches but no priority list of projects.	2019-2030	The National Infrastructure Investment Strategic Plan 2019-2030 (NIISP), ⁴¹ was developed in partnership with PRIF and updates the Nauru Economic Infrastructure Strategy and Investment Plan from 2011. Includes prioritised project list and accompanying methodology.

Country	Has a Strategic Development Plan (SDP)?	Inclusions and gaps	Has an infrastructure Investment Plan (IIP)	Inclusions and gaps
Palau	2023-2026 (UV)	Palau is currently working on its Development Plan for 2023-2026 (an unofficial version is published on the Ministry of Finance's webpage). While infrastructure investment is not one of the four pillars of the unofficial Development Plan,⁴² the role of infrastructure in progressing these goals is visible throughout the report.	2021-2030	The National Infrastructure Investment Plan (NIIP) 2021-2030⁴³ is the first of its kind in Palau and both describes and establishes a process for selecting and prioritising infrastructure projects. Similar to the NIIPs of other researched countries, the NIIP was developed with the support of PRIF. Includes prioritised project list and accompanying methodology.
Papua New Guinea	2010-2030	The Papua New Guinea Development Strategy Plan (PNGDSP) 2010-2030 identifies key development targets or objectives for each sector. Infrastructure strategy is separated into the different sectors e.g., transport, energy, utilities. Includes goals, targets and priority list of projects.	MTDP 2023-2027	The Medium Term Development Plan (MTDP) effectively takes the place of a IIP in Papua New Guinea. Does not provide documentation used to arrive at these conclusions and is purposefully linked to the parliamentary terms.
Solomon Islands***	2016-2035	A high level strategic document. One of the eight strategic objectives focuses on infrastructure. Includes infrastructure strategy, objectives and focus. Includes goals and targets.	2013-2023 (NIIP) 2021 (PIIP)	Solomon Islands updated the project pipeline in the in 2021. This was done as an update to the NIIP and to acknowledge changes in priorities, e.g., in the context of the COVID-19 pandemic and its health and economic implications, and changes in government. The prioritisation process is quite different between the two plans.
Timor-Leste	2011-2030	Timor-Leste Strategic development plan 2011-2030 is a high level strategic document.	No	The Strategic Development Plan in some ways functions like an infrastructure investment plan in that it sets out more detailed priorities and projects. However, it does not account for budget constraints or include a ranking processes.

*Acronyms used in table:

- MT: Medium Term – In addition to long-term strategic development plans the country also produces a shorter development plan for smaller timeframes (these are often called Medium Term plans).
- UV: Unofficial version – Palau's Development Plan is underdevelopment, but the Ministry of Finance shares an unofficial version on its website.
- MTDP: Medium Term Development Plan – effectively takes the place of a IIP in Papua New Guinea.

*** The process was fairly different in the Solomon Islands between the NIIP (2013) and PIIP (2021) processes. Both are described in the table.



Summary of the methods and details of the identification and prioritisation processes identified including gaps, and potential risk areas for corruption (see Table 2).

Infrastructure identification processes often included some form of assessment of current infrastructure, such as a high-level summary of issues or more specific asset condition assessments. Potential projects were often sourced from these assessments and/or proposals submitted by sector agencies or line ministries. When it comes to the prioritisation processes a screening stage and/or multi-criteria analysis (MCA) was often used. Almost all the MCAs included consideration of the impact of the investment (often service improvement, economic, social and environmental impacts), and it was also common to have consideration of strategic fit or project details.

Of note, the MCA process in Nauru combines project readiness concepts (e.g., project stage, funding for investment mobilised) and the impact of the project.⁴⁴ A single score can be more straightforward to communicate and rank, however, it can mask the underlying reasons for a project's score and potentially hide it from scrutiny. For example, two projects might score highly. Their overall scores wouldn't make it immediately clear that one is based on being implementation-ready and having secured funding but is low impact, whereas another project is high impact but needs more work or financing. Combining scores in this way can create misinterpretations of overall project scores.

There was a generally lack of transparency around who was involved in the prioritisation process; this regularly had to be assumed or interpreted. It was also found that countries with older processes (Nauru and Solomon Islands) may not be consistently applying them over time which could indicate capacity, expertise, willingness or compliance issues. This finding should be monitored to assess whether this trend is common in other countries and for newer processes.

Papua New Guinea's process is the least transparent of the eight countries. While its MTDP sets out key investments, timing and costs, it does not share the process, nor the supporting documentation, used to arrive at these conclusions. As a result, the risk of corruption is higher. Similarly, it was difficult to identify through publicly available documents details related to Timor-Leste's process. Timor-Leste's Budget Paper⁴⁵ provides a high-level description of the prioritisation and appraisal process, but further detail on how multi-criteria analysis is used, and the relative ranking of different factors, how to rank projects and consideration of this in the context of a budget envelope was not able to be found. It is likely that this information is in the MPS' Infrastructure Fund Administration Manual⁴⁶ but this was not able to be located through desktop research.

In Solomon Islands, two prioritisation processes have been developed, the National Infrastructure Investment Plan 2013-2023 (NIIP)⁴⁷ developed with assistance from the PRIF and the Priority Infrastructure Investment Pipeline (PIIP)⁴⁸ which was developed as a simplified process in 2021 and as an update to the NIIP to acknowledge changes in priorities and COVID-19 impacts. The updated PIIP process openly acknowledged including the new government's priorities, included two new projects with minimal justification and made unclear marginal decisions between two projects with the same priority score. It also changed the prioritisation criteria, and mixed project readiness and impact in such a way that the PIIP makes it more difficult to understand why a project received its score.

While these decisions could be sound and justifiable, the change in process and lack of documentation may have created opportunities for corrupt behaviour or indicate the government is changing the process to support political priorities. The changes made to the process in 2021 may also create a precedent for process changes to be made again in future. This might provide an opportunity for political or other factors to continually change the process to affect its outcomes. This should be monitored to note if the process changes again, particularly in the context of a new government.

Table 2: Summary of policy frameworks

Orange indicates concern / potential area at risk of corruption.

Country	Identification process		Prioritisation process	
	Condition and/or demand assessment?	Condition and/or demand assessment?	Screening steps	MCA based on...
Federated States of Micronesia	Infrastructure review report (NF)	Potentially from State Development Plans	Removes projects that are unrealistic for timeframe and/or funding envelope	Impact of investment. Criteria are aligned to SDP but set in IDP
Fiji	High level summary in NIIP	Sector agencies and entities select and propose projects	Early screening can pass / fail project using simplified version of MCA categories	Strategic fit, impact and finance
Kiribati	Infrastructure agencies supposed to identify infrastructure needs, but not a systemic register / report	NIIP projects from SDP, Development Budget, agency corporate plans and consultations. In future: agencies submit proposals	Included projects approved by Cabinet Projects removed due to time delays or missing information	Impact of project and importance Objectives from strategy documents
Nauru	Detailed review in 2018/2019 Asset register with condition assessment created	Condition assessments, agency or utility proposals, or development partners	Projects were excluded if already approved / under implementation, or specific investments**	Mixture of project readiness and impact
Palau	Condition assessments and sector issues summary	Sector strategies and infrastructure demands	Project readiness (legal, financial, environmental)	Objectives from strategy documents
Papua New Guinea	Unknown	Unknown	Unknown	Unknown

Prioritisation process		Financing
Who's involved?	Scoring / interim steps shared?	List refined for financing capacity?
(NS) "Executive and Legislature, infrastructure managers and civil society representatives"	Score per criteria per project	Yes, within prioritisation process
Ministry of Finance (Budget Division and Strategic Planning Office)	NIIP refers to attachment with interim scores –weighted and unweighted (NF)	Yes, as early as screening stage
National Economic Planning Department / Office (NEPO)	Total assessment per project (weighted)	No, but probably appropriate given high reliance on development partner funding
(NS). Likely to be PRIF, Ministry of Infrastructure Development and the Ministry of Finance	Total score per project only and graphs of sub-categories	No
Development Committee (NS). Likely to be NIIP authors	Yes, public spreadsheets	No
(NS). Likely Department of National Planning and Monitoring	No	Unknown

Country	Identification process		Prioritisation process	
	Condition and/or demand assessment?	Condition and/or demand assessment?	Screening steps	MCA based on...
Solomon Islands***	Sector issues summary with list of key infrastructure Transport sector already does (NIIP)	Drawn from sector plans and assessments (NIIP) Proposals submitted by line ministries (PIIP)	Projects excluded if not affordable or possible within timeframe, poor strategic fit, or under SBD\$14m (NIIP and PIIP)	Strategy document objectives (NIIP) Project scale and financials, impacts (PIIP)
Timor-Leste	In SDP or sector plans, not necessarily linked to identification process	Sector agencies submit proposals	None found	Impact, readiness, Importance, Economic viability and likely others

*Acronyms used in table:

- NF: Not Found – A document is stated to exist but was not found by consultant in desktop research.
- NS: Not Specified – Those involved in the prioritisation process are not detailed, but may be able to be surmised from other information.
- ** Light-duty and heavy-duty vehicles from Public Service Administration and the National Rehabilitation Corporation.

*** The process was fairly different in the Solomon Islands between the NIIP (2013) and PIIP (2021) processes. Both are described in the table.

Prioritisation process		Financing
Who's involved?	Scoring / interim steps shared?	List refined for financing capacity?
Consultant team (NIIP) Ministry of National Planning and Development Coordination (PIIP)	Score per criteria per project (NIIP) Total and criteria group scores per project (PIIP)	Yes (NIIP) No, a top '25' (PIIP) and two projects added with little justification
Major Projects Secretariat	No	Unknown



Photo: Construction workers in Maubisse, Timor Leste.
The Road Provides/shutterstock.com

SUPPORTING ASSESSMENTS

Supporting assessments and their methodologies are used to inform whether to proceed with an infrastructure project.

Good project selection processes are essential to delivering infrastructure that is fit for purpose, and meets community needs, for a fair price. There are many elements required to ensure good project selection processes and many of the risks of corruption can be controlled or mitigated through approval processes that are transparent and accountable. The greater number of controls, however, makes the process more complex and intensive. For this reason, processes to select and authorise infrastructure projects can vary considerably between countries or even between sectors or agencies.

There can be valid reasons for following a selection process that is more streamlined or even short, for example, due to the size and scope of a project. However, good project selection should include a range of measures and opportunities for control and, particularly for large projects, opportunities for independent review. A transparent and accountable process can guard against corruption red flags in project identification and selection (see Box 1).

We have assessed the characteristics of the assessment processes of each country referring to composite sources such as the World Bank's Benchmarking Infrastructure Development 2020 as well as legislation, regulations and policy documents from each country.



Good project selection should include a range of measures and opportunities for control and, particularly for large projects, opportunities for independent review.

Box 1. Common corruption red flags in project identification and authorisation

Common corruption red flags in project identification

-  Manipulating needs assessments to bias results and favour specific interests.
-  Limiting the scope of project screening to bias the outcome of technical assessments and to favour specific interests.
-  Manipulating technical assessments to over-estimate benefits or under-estimate costs of projects to bias project selection or prioritization.
-  Improper influence by public or private agents in the selection of projects motivated by political or personal gains.
-  Improper fast-tracking of government approvals or inadequate due diligence and community consultation of investor-led infrastructure development proposals, made to secure investment.

Common corruption red flags in project authorisation

-  Failure to present viable project alternatives to favour specific interests.
-  Manipulating designs to produce incomplete plans or inaccurate cost estimates that can create opportunities for variation and 'rent-seeking' behaviour such as excessive profits or illicit payments during project implementation.
-  Manipulating environmental and social assessments to misrepresent project impacts on the environment, communities and their livelihoods so as to favour specific interests or to secure government approval and project financing.
-  Postponing, fast-tracking or exempting regulatory clearances to favour specific interests.
-  By-passing budget processes to avoid or impede external scrutiny.
-  Avoiding disclosure of project plans under the guise of national security interests or commercial confidentiality to impede the scrutiny and oversight that could reveal issues that favour specific interests.
-  Poor pay in the public sector which can create incentives or a sense of 'entitlement' to seek bribes or kickbacks.

Source: Transparency International Australia, *Infrastructure Corruption Risk Assessment Tool*, 2022, p8

We have selected five elements which are critical to inform the decision to proceed. The results are summarised in Table 3 below.

1. **Socio-economic analysis:** To assess the feasibility and economic viability of a project, this analysis determines whether the project follows policy priorities and sector and infrastructure plans. It should check whether the project is possible and that the economic appraisal is cost-benefit justified to deliver the expected benefits at the lowest cost. This analysis should also confirm that the project complies with national environmental and planning standards.⁴⁹
2. **Fiscal affordability assessment:** This assesses whether the project is affordable and fiscally responsible, and ability to balance between spending and revenue.⁵⁰
3. **Consideration of a Public-Private Partnership:** whether developing the project as a public-private partnership can be expected to best achieve value for money, compared to the other options.
4. **Environmental impact assessment:** to determine whether the detrimental impact on the environment or on society from a project outweighs its potential benefits and, where a project is necessary, how the environmental and/or social impact can be kept to a minimum.⁵¹
5. **Social impact assessment:** Assessing social impacts to mitigate negative project impacts and optimise social welfare. Transparency and trust in the social impact process is vital to its success. Stakeholders tend to be sceptical about the proposed program and consultation process if they believe that decisions have been made beforehand.⁵²

A detailed and transparent framework for these assessments, can guard against common red flags such as manipulation of needs assessments or environmental and social impact assessments to favour specific interests. Across the countries assessed, there are gaps and varying levels of complexity in the framework for the assessments that inform the decision to proceed.

Socio-economic analysis

Generally, there is very little evidence of domestically-run cost-benefit analyses. Most countries rely on donors to conduct these assessments and this likely points to a lack of capacity, resources, or expertise to carry them out. In Kiribati, a key performance indicator for cost-benefit analyses to be conducted on water and sanitation reports is only 10 percent, suggesting a very low use of cost-benefit analyses.⁵³ In Fiji, specifically for energy projects, the World Bank reported “a dearth of economic cost and benefit assessments for investment proposals in investment plans.”⁵⁴ In Federated States of Micronesia, according to the 2017 Public Finance Roadmap assessment, rigorous processes of appraisal, selection, costing, and monitoring are conducted by donors and multilateral partners but that other donors, in particular China require less rigour in the feasibility assessment and when the process is undertaken directly at the state level, the investment decision process is less clear.⁵⁵

Fiscal affordability assessment

All the countries either included whole-of-life costs of infrastructure and/or identified rehabilitation projects (as well as new developments). This is a promising trend considering concerns have been raised in the past about a trend of ‘build-neglect-rebuild’ in the Pacific.^{56,57} The improvement could be attributed to technical support from the Pacific Region Infrastructure Facility (PRIF).

Cost and financing red flags identified

In Nauru it is unclear how fiscal costs are managed from budget to budget. For example, the highest priority project in the National Infrastructure Investment Strategic Plan (NIISP) is renovating an old build for a maternity ward, and is estimated to cost AUD\$320,000. The 2021-22 budget includes AUD\$1.5 million for a new maternity ward (described as a project highlighted in the NIISP). The 2020-21 Budget includes AUD\$1.2 million for “health infrastructure, including new acute ward, isolation, paediatrics and maternity ward improvements, flood control and improved storage of supplies.”⁵⁸ It’s not clear that these projects are necessarily all the same, but if so it would be unclear how the budget has increased dramatically, and if the repeated budget instalments are due to project delays, unforeseen costs, or something else.

In Solomon Islands, the 2018 Public Investment Management Diagnostic⁵⁹ identified the National Transport Plan⁶⁰ as providing a methodological manual for public financial management, however this was not identified in a scan of the document.

It would be reasonable to expect each country's priority list to be refined by financial capacity so that the infrastructure plan is what it likely to be implemented during that timeframe. Some of the countries do this (e.g., Fiji, Federated States of Micronesia and the Solomon Islands process in 2013). Others tend to have a long prioritised list or share "top 10" or "top 25" priorities. This is likely due to the high reliance on development partner funding. In these cases, the achievement of their infrastructure plan is largely reliant on development partners agreeing to the same direction. It is likely that for these smaller Pacific Island countries that rely on the detailed project preparation assessments undertaken by development partners that this is entirely appropriate given the size and capacity of their public services, but it does mean the process for selecting and approving large infrastructure projects is less defined, perhaps ad hoc, and open to manipulation by vested interests. It is something to monitor given the geostrategic interests and funding of infrastructure from a variety of countries.

Consideration of a Public-Private Partnership

Nearly all countries identified the potential for public-private partnerships (PPP) in their funding strategies and most countries have some form of PPP entity charged with exploring PPP opportunities. However, PPP consideration did not appear to be embedded in project proposals or identification processes, consequently the number of PPPs in many of these countries remains low.

Environmental and social impact assessments

All countries have a process for assessing environmental and social impacts. Often research into how this worked in practice resulted in examples of where these assessments were not performed or inadequately performed, suggesting an implementation and/or compliance issue with these assessments.

Environmental and social impact assessment red flags

In Federated States of Micronesia, State Development Plans require environmental factors to be considered when conducting risk assessments, however, in practice this was only done in a small number of projects (e.g., only 2 of Kosrae's 33 priority projects).⁶¹ The Nauru National Sustainability Strategy (NSDS) notes that those responsible for managing infrastructure have insufficient capacity, to implement environmental impact assessments.⁶² This suggests that even if EIS are conducted, there may not be the capacity for the manager of the infrastructure asset(s) to meaningfully consider this in their decision-making. In Palau, according to the National Environment Protection Council's 2019 State of the Environment Report, the process for triggering environmental assessments for earth-moving projects (often relevant to road, water and sanitation projects) is ambiguous and a large number of projects have been exempted from having to conduct an assessment.⁶³ "Exemptions and inconsistencies in the application of EA requirements have resulted in fewer projects considering environmental impact through an EA than is environmentally desirable."⁶⁴ In Papua New Guinea there have been accusations of environmental impact statements not being sufficient or independent.⁶⁵ In Timor-Leste, according to the organisation La'o Hamutuk there have been examples of where environmental assessments have been required, but these have been bypassed. According to this source, tenders were released for construction on projects and required environmental licensing while Environment Directorate staff were unaware of these project developments. The State Secretariat for Environment issued an environmental license for the Suai Supply Base, "although many planning and legal requirements were apparently not met."⁶⁶

Importantly, we have only assessed to a limited extent whether these frameworks are implemented in practice, to what extent and how well they are implemented or whether they are sidestepped or fast-tracked.⁶⁷ Further research at a country and project level would provide more detailed information on these aspects. Table 3 is a summary of the supporting assessments, further detail is provided in country-level assessments in Appendix 2.

Table 3: Summary of supporting assessments and their methodologies

	FSM	Fiji	Kiribati	Nauru	Palau	Papua New Guinea	Solomon Islands	Timor-Leste
 1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the PPP project)	✗	✗ (Except when donor funded)	✓	✗ (Except when donor funded)	✓ (Simple CBA for scoring purposes)	✗ (for non-PPP investments) ✓ (for PPP investments)	✗	✓
a. Is there a specific methodology for the assessment?			✓		✗	✗		✓
 2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities)	✗	✓	✗	✓	✓ (As part of annual budget process)	✓ (More specific for PPPs)	✓	✓
a. Is there a specific methodology for the assessment?		✗		Unclear how funding is prioritised or how other how fiscal costs are managed	✗	✗	✗	✗
 3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)	✗	✓	✗	✗	(In development)	✓	✗	✓ (But unclear how this is identified and low number of PPPs suggest not regularly implemented)

	FSM	Fiji	Kiribati	Nauru	Palau	Papua New Guinea	Solomon Islands	Timor-Leste
 4. Environmental impact assessment	✓	✓	✓ (General duty to consider impact)	✓	✓	✓	✓	✓
a. Is there a specific methodology for the assessment?	✗	✗	✗	✗	✓	✓	✓	✗
b. Consultation process with affected communities explicitly included in the environmental impact assessment	✗	✓	✓	✓	✓	✓	✓	✓
c. Is there a specific methodology for the assessment?		✗	✗	✗	✗	✓ (Some guidance, mainly procedural)	✗	✗
 5. Social impact assessment	✗ (Some aims for social assessment are listed in SDP)	✓ (As part of EIA)	✗	✓ (As part of EIS)	✓	✓	✓	✓ (As part of EIS)
a. Is there a specific methodology for the assessment?		✗		✗	✗ (Consideration of social impacts in NIIP)	✗	✓	✗
b. Consultation process with affected communities explicitly included in the environmental impact assessment		✓		✓ (By the EIS committee)	✓	✓	✓	✓
c. Is there a specific methodology for the assessment?		✗	✗	✗	✗	✗	✗	✗

CONCLUSION

This report has assessed the policy framework for infrastructure project identification and selection across seven Pacific Island countries and Timor-Leste. The region is characterised by a weak governance context and known as being corruption-prone.

This increases the risks of corruption and undue influence manipulating decision making. We have identified that all countries in this report have some kind of strategic plan in place and most have an infrastructure investment plan of some kind or have documented their identification and prioritisation process, most developed with the support of the PRIF. The development of these strategic documents has significantly improved the transparency of identification and selection processes across the region.

While we identified the presence of planning documents we have also identified red flags that may create risks of undue influence, particularly where subjectivity in selection processes is hidden behind combined assessment criteria (Nauru), or where there have been examples of planning processes not being implemented over time (Nauru, Solomon Islands) or being updated in favour of political interests (Solomon Islands) or being deliberately linked to the election cycle (Papua New Guinea).

The risk of undue influence in the identification and selection process can be minimised further with detailed approaches to prioritisation such as through multi-criteria analyses that consider costs and benefits, value for money and likelihood of attracting finance. We have identified gaps and varying levels of complexity in the framework for the assessments that inform the decision to proceed across all countries in this report. There was limited evidence of domestically run cost-benefit analyses which could make these countries open to external influence in this area. While there has been some improvement on assessing the true costs of infrastructure over the entire project cycle, we also identified a number of red flags. For example, there are questions around the management of fiscal

costs (Nauru), unclear methodology for public financial management (Solomon Islands), and a reliance on development partner funding to carry out detailed assessments and developing a shortlist rather than a fully prioritised list based on financial capacity (Kiribati, Nauru, Timor-Leste, Palau, and Papua New Guinea). There was also evidence that although all countries had policies for environmental and social impact assessments in place, there were difficulties in their implementation.

To develop a deeper understanding of the remaining corruption risks, further research (such as with the use of Transparency International Australia's *Infrastructure Corruption Risk Assessment Tool (ICRAT)*) to assess in detail each strategy, plan and the actual projects ultimately selected and built, is needed to identify inconsistencies that could provide indication of potential biases in project selection.

Increased strategic competition in the region has led to increased competition to finance large infrastructure projects by diverse interests. Development partners and countries that finance large infrastructure projects in the region run the risk of financing projects that are later shown to have been tainted by corruption and risk their own reputation (for example the scandal around the awarding of contracts for PNG Ports⁶⁸). These partners should continue to prioritise providing technical assistance, especially to countries where the regulatory environment is weak and capacity for improvement is low. There could be a broader role for the PRIF, donor governments and donor agencies to support the further development and ongoing implementation of identification and prioritisation policies and processes including environmental and social impact assessments and domestically run cost-benefit analysis and to support their implementation over the long-term.



APPENDIX 1: SUMMARY OF COUNTRY ASSESSMENTS



FEDERATED STATES OF MICRONESIA (FSM)

In Federated States of Micronesia (FSM), there is a transparent process around project prioritisation but only at a very high level. There are opportunities to be more transparent about the details of how projects are prioritised and identified.

- + It is not clear who could be influencing the prioritisation process, as the prioritisation group is only described as “a group that included representatives of the Executive and Legislature, infrastructure managers and civil society representatives”⁶⁹
- + The strategic objectives used to assess priority projects are developed in the Infrastructure Development Plan (IDP). These should ideally be set at a Strategic Development Plan (SDP) level to avoid the risk of objectives for each IDP being shaped by other interests.
- + The lack of documentation around how projects are prioritised (aside from the ranking process described in IDP), leaves room for subjective judgement by the prioritisation group. This is not inherently bad, but the combination of low transparency about the process and no transparency about who makes the prioritisation decisions is risky.



FIJI



Fiji's process received criticism from the World Bank in its Public Expenditure Review (2023), much of it based on the IMF's Public Infrastructure Management Assessment of Fiji conducted in 2021.

Following that criticism Fiji, in partnership with PRIF, in its 2023-2024 NIIP has reformed its Public Sector Investment Program process so that it is a two-stage process of firstly screening assessments of economic, social, and environmental considerations, then more formal assessments after screening but before Cabinet approval.

The recent reforms propose a robust and transparent process for selection and prioritisation. However, these reforms just occurred in 2023 and are fairly significant changes from what was done before. Mainstreaming the use of the more objective criteria and maintaining transparency of decision-making will take consistent work. It may be valuable to continue to monitor to see if the new process is followed and if change does occur in practice. See Solomon Islands as an example of where the process changed between 2013—when the process had more consultant support—and 2021.

Potential future corruption and investment inefficiency risks should be monitored. There is a view that Fiji could capitalise on its sophistication in infrastructure (relative to its neighbours) to build on its existing private sector involvement⁷⁰ and to attract investment.⁷¹ This is a situation that should be monitored, as a combination of private sector involvement and lack of transparent processes (if the reforms are not effectively embedded) could pose a high risk to transparent, robust infrastructure decisions. For example, the World Bank notes: "Institutional weaknesses have contributed to the postponement of necessary investments to improve the reliability, efficiency, and cost of Fiji's energy infrastructure. As Energy Fiji Limited (EFL) shifts to become a single buyer and will be increasingly commercially oriented, with arms-length relations with the Government, there is a need to establish an enabling regulatory framework to support renewable energy investments."⁷²



The process set out in the National Infrastructure Investment Plan (NIIP) is fairly robust and transparent. Strengths include transparently aligning the multi-criteria analysis to the Kiribati Development Plan (KDP), sharing the process, and clearly stating the weightings that would affect decision making. The process could be improved by sharing interim scores and divulging the membership of the Development Coordination Committee who approves decisions. While improved documentation on conducting cost-benefit analyses would be best practice, it is not necessarily fit for purpose for a country as small as Kiribati where “95% of the funding for capital construction comes from development partners,”⁷³ who would have more capacity to conduct such analyses. Instead, Kiribati

could look to other countries with strong supporting documentation (e.g., Timor-Leste on cost-benefit analysis within its Feasibility Study Guideline).⁷⁴

Similar to Fiji, Kiribati’s process is very new and the 2022 NIIP had to incorporate some past decisions (e.g., include projects already approved by Cabinet) to bring previous decision-making under the same framework. It may be valuable to continue to monitor to see if Kiribati has the capacity to carry out this new process independently (see Solomon Islands as an example of where the process changed between 2013—when the process had more consultant support—and 2021).

NAURU



Of the researched countries, Nauru has the most information about it the identification process, including supporting documentation for how to conduct condition assessments and asset management planning. The National Infrastructure Investment Strategic Plan (NIISP) was also clear in outlining risks within the identification process (particularly the different pathways for proposing projects depending on whether the project is being proposed by sector agencies, utilities or development partners) although it did not seek to change the process to mitigate these risks.

Nauru's prioritisation process may create misinterpretations of overall project scores

The project prioritisation involves multi-criteria analysis (MCA) that combines project readiness concepts (e.g., project stage, funding for investment mobilised) and the impact of the project. A single score can be more straightforward to communicate and rank, however, it can mask the underlying reasons for a project's score and potentially hide it from scrutiny. For example, two projects might score highly. Their overall scores wouldn't make it immediately clear that one is based on being implementation-ready and having secured funding but is low impact, whereas another project is high impact but needs more work or financing. This is less of an issue when MCA is just conducted based on project impact or when the MCA scores are presented broken down into categories.⁷⁵ Nauru does share graphs indicating the scores of sub-categories (specific scores are not shared but could be interpreted).

Mixing of score types doesn't definitively lead to poor decision-making. However, without careful analysis of prioritisation scores and results, it can lead to assumptions that the MCA presents an 'apples with

apples' comparison when it is in fact not. Nauru may be making this assumption, based on this statement in its NIISP: "this objective ranking of projects based on a balanced score of their economic, environmental, and social values can then be given to decision makers as an additional, apolitical and objective support to guide final funding decisions."⁷⁶ This opinion implies the score can be trusted on face value and is objective. However, scoring only helps to structure and summarise judgements — many of which are subjective judgements in the MCA. This position risks missing the point of using scoring: to promote discussion and transparency.

Nauru may be facing challenges embedding these processes

Considering the NIISP and the National Sustainable Development Strategy (NSDS) were developed four years ago, it would be expected for them to be known and used increasingly regularly. However, recent relevant activities suggest otherwise:

- + The Ministry of Finance's 2021-22 Annual report makes no mention of the NIISP, its integration into the Budget, or the Infrastructure Investment Planner (responsible for screening and prioritisation processes)⁷⁷ which would be expected at least in the section covering the Planning and Aid Division⁷⁸
- + A late 2023 LinkedIn post by the Australian Pacific Partnerships Forum states that a Nauru Asset register is under development and that the NIISP is undergoing a review by PRIF.⁷⁹ This might suggest that the asset register developed under the NIISP has had some implementation challenges, or simply might be indicate that a mid-point update is occurring.

PALAU



Palau has a similar policy framework and process to Kiribati, and so similarly the process used is fairly robust and transparent; particularly as Palau shares detailed spreadsheets with project scoring, sensitivity analysis, condition assessment results and the pipeline. Similar to other countries who use weightings, this is a transparent way to show the impact of these preferences that are more open to political influence.

Palau was also transparent about exceptions to the intended process, e.g., that a Development Committee member(s) wanted more detailed assessments for 12 projects. There is a risk that in still prioritising these projects, these assessments do not occur before the project is implemented. This is something that should be monitored.

Given Palau has expressed a desire for some cost-benefit analysis to be conducted in the process of the multi-criteria analysis, Palau should provide some guidance to support reviewers and/or agencies to do this well (even a 'back of the envelope' analysis).⁸⁰

What remains unclear is how the infrastructure projects will be funded. While ultimately Palau wants to fund infrastructure from its own funds, this is unlikely to happen before the 2026 Financial Year,⁸¹ so assistance programs will likely continue to be the main source of financing the prioritised projects.

PAPUA NEW GUINEA



Papua New Guinea's process is probably the least transparent of the eight countries researched. This is largely because while the Medium Term Development Plans (MTDP) set out key investments, timing and costs, they do not share the process, nor the supporting documentation, used to arrive at these conclusions. As a result, the risk of corruption is higher than other countries based on this research. Papua New Guinea's risk is also higher as the MTDP cycle is purposefully aligned with a parliamentary term.⁸² This makes the

process easily open to influence by political agendas. This risk, as well as political instability, is acknowledged. However, the proposed mitigation strategy "the annual Capital Investment Budget prioritisation and other funding mechanisms for deliberate intervention programs (DIPs) must be guided by the MTDP IV Strategic Priority Areas"⁸³ is not particularly strong when the prioritisation process is hidden from public view, and the MTDP objectives appear to be adjusted (albeit slightly) each MTDP.

SOLOMON ISLANDS



Much like other National Infrastructure Investment Plans (NIIPs) designed in partnership with the PRIF, the NIIP process was robust and fairly transparent. For example, the process:

- + highlighted where exceptional projects were added to the priority projects. Justification was provided per project,
- + refined the length of the funded priority list through an iterative process considering the financial capacity,
- + assessed the priority list as a package against geographical spread and strategic objectives. This was more detailed analysis than the other countries researched.

In contrast, the Priority Infrastructure Investment Pipeline (PIIP) process:

- + openly acknowledged incorporating the new government's priorities,
- + included two projects with minimal justification,
- + made unclear marginal decisions between two projects with the same priority score,

- + changed the prioritisation criteria, and mixed project readiness and impact in such a way that the PIIP makes it more difficult to understand why a project received its score (see Nauru's overall assessment for risk discussion).

In reality, these decisions could be sound and justifiable, but the change in process and lack of documentation may create opportunities for corrupt behaviour. The changes made to the process in 2021 may also create a precedent for process changes to be made again in future. This might provide an opportunity for political or other factors to continually change the process to affect its outcomes. TI Chapters should note if the process changes again, particularly in the context of a new government.

Similar to Palau, some projects in the Solomon Islands were flagged for further analysis.⁸⁴ There is a risk that in still proceeding with these projects, these assessments do not occur before the project is implemented. This could be something that TI Australia monitors.

TIMOR-LESTE



Timor-Leste's process may be entirely appropriate and robust. This optimistic outlook is based on:

- + The process description sounds promising and fairly aligned to PRIF's best practice.⁸⁵
- + Timor-Leste has a focus on providing supporting documentation to enable consistent, robust feasibility studies and cost-benefit analyses.

However, without access to the Infrastructure Fund Administration Manual or other information, the process for prioritising and appraising projects remains unknown. The examples of decision-making processes being bypassed also potentially suggest that even if the process is sound in theory, it may not be known, used or implemented effectively in practice.

APPENDIX 2: SUMMARY OF SUPPORTING ASSESSMENTS AND THEIR METHODOLOGIES

Federated States of Micronesia	Evidence of use in practice...
1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the project) a. Is there a specific methodology for the assessment? 1.  (finance management regulations) + https://dofa.gov.fm/wp-content/uploads/2021/05/FSM-FINANCE-MANAGEMENT-REGULATIONS-2021.pdf + Financial Management Act of 1979. http://www.fsmlaw.org/fsm/code/title55/T55_Ch02.htm#201 Whole of life costs and guidance included in IDP page 11	According to the 2017 Public Finance Roadmap assessment: Donor projects funded by Compact or multi-lateral partners have a rigorous process of appraisal, selection, costing, and monitoring. At the feasibility stage there are economic, financial, social and environmental impact studies undertaken. For other donors, in particular China, the process is less rigorous in terms of the feasibility study process and project selection and when projects are undertaken directly at the State level the investment decision process is less clear.
2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities) a. Is there a specific methodology for the assessment?	
3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)	

Federated States of Micronesia	Evidence of use in practice...
4. Environmental impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	4. ✓ The Environmental Sector Strategic Plan includes the following outcome measure for Strategic Goal 1: Environmental Impact Assessments (EIA) carried out for 100% of all government and non-government development activities to minimize adverse impacts of development on the nation's environment from 2005 onwards (SDP, section 7.2.1, para 57). Environmental legislation does not necessarily require EIAs on all projects however in keeping with the intent of Strategic Goal 1 and the above outcome measure all IDP projects will comply with relevant environmental planning provisions, unless explicitly exempt. In 2014, the Department of Transportation, Communications and Infrastructure (DTCI) prepared a Climate Adaptation Guide for Infrastructure as "a first step in mainstreaming climate change in all infrastructure projects in FSM." 2016 IDP. Presumably this has guidance for planning infrastructure investments but the consultant was unable to find this. (Reference is: DTCl, (2014). Climate Adaptation Guide for Infrastructure (T Barry, ADB TA 7927). Department of Transportation, Communication and Infrastructure, Division of Infrastructure) State Development Plans consider environmental factors when asked to consider risks and dependencies of state priority projects (often at concept or scoped project stages). This was only done in a small number of projects (e.g., only 2 of Kosrae's 33 priority projects).
5. Social impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	5. ✗ While there are no detailed methodologies, the SDP does list some aims for social assessments (see fisheries in Appendix A, p. 598).

Fiji	Evidence of use in practice...	
1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the project) a. Is there a specific methodology for the assessment?	1.  Economic analysis (including economic and social cost-benefit analysis) is only undertaken for major investment projects funded by international donors, and these are not undertaken through use of formal national guidelines. As part of developing the National Infrastructure Investment Plan (NIIP), a Benefit Assessment Tool was created that is form for agencies to submit estimated costs, and self-assess impact (NIIP, pp. 86-87)	Specifically in energy, “There is a dearth of economic cost and benefit assessments for investment proposals in investment plans.” World Bank
2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities) a. Is there a specific methodology for the assessment?	2.  Pursuant to section 9.1 of the PPP policy: To ensure that the objectives of the PPP programme and the potential benefits of using PPPs are achieved in practice, the Government will ensure that all PPP projects meet the following four criteria: + Feasibility and economic viability of the project - the underlying project makes sense, in that it is central to policy priorities and sector and infrastructure plans; technically, legally, environmentally and socially feasible, economically cost-benefit justified and the least cost solution to the identified service need; + Fiscal responsibility - the project's cost to the Government is in line with fiscal priorities, and risks retained by the Government would not be fiscally destabilising; + Commercial viability - there are qualified private parties available to do the project and the project is expected to provide a commercial rate of return sufficient to attract such parties and create competitive tension; and + Value for money - the proposed PPP is expected to achieve value for money compared to alternative implementation options; and compared to other PPP structures (that is, the PPP is structured well). a. 	
3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)	3.  Pursuant to section 3 of the PPP policy: Once Cabinet approval is given to proceed based on the business case, the PPP Project Working Group will prepare and implement the PPP transaction. The objective at this stage is two-fold: first, to select a competent firm or consortium to act as the private developer/operator; and second, to identify the most effective and efficient solutions to the proposed project's objectives— both from technical, and value for money perspectives.	

Fiji	Evidence of use in practice...
4. Environmental impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	4.  Requirement for environmental impact assessment (EIA) under 12 (3) Environmental Management Act 2005 EIA process regulations 2007 4 (3) (e) an assessment of any environmental or resource impacts that the proposal is likely to have;(f) an indication of how such impacts will be managed or mitigated; Public consultations(g) a statement as to what public consultations have been held on the proposal, if any. Applies to public and private projects. EIAs are prepared by consultants who are registered and accredited by the Ministry. Public consultation: The public can make submissions to EIAs; once determined, assessments are available to the public. Appeals can be lodged and are heard by a claims tribunal. Developments that proceed without the necessary clearances and approvals can be prosecuted. the current budget submission template provides no checks that all required environmental approvals are in place, the Ministry considers that all key public entities are well aware of the legal framework and seek appropriate clearances (either from the Ministry of Environment or delegated lower authorities) before construction commences. a. Unsure b.  c. Unsure World Bank PER suggested that Fiji should use MACC cost curve to rank or justify energy projects.
5. Social impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	5.  As well as withing the EIA process the Ministry for Women, Children and Poverty Alleviation Gender has responsibility for other social assessments. Recent work has focused on assessing the impact of government infrastructure investment in the eastern division of Fiji on access and utility by the poor. They seek to work with the key infrastructure ministries and entities to influence the nature of future investments to best benefit the poor. (NIIP) The current budget submission template does not specifically address distributional and poverty impacts of projects. a. Unsure b.  c. Unsure

Kiribati	Evidence of use in practice...
1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the project) a. Is there a specific methodology for the assessment?	1.  Public procurement manual The project's economic viability is considered in: + Project proposals submitted to the NEPO must complete the Benefit assessment tool + The MCA framework for prioritising projects + A more detailed cost-benefit analysis must be carried out prior to Cabinet approval KPI for KDP for CBA to be conducted on water and sanitation reports is only 10%, suggesting very low use of cost-benefit analyses.
2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities) a. Is there a specific methodology for the assessment?	
3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)	
4. Environmental impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	4.  Part III of the Environment Act 1999 outlines obligations and offences under the Act, including those that relate to environmentally-significant activities a.  b.  Publication of initial environmental evaluation report and procedure in respect of objections and appeal. Pursuant to 19 (2) Any public authority or person whose interests are likely to be affected by the proposed development may within thirty days from the date of publication of the notice referred to in subsection (1) make written objections to the Minister in respect of the proposed development. c.  The project's a) adaption to climate change and b) impact on environment are considered in both: + Project proposals submitted to the NEPO must complete the Benefit assessment tool + The MCA framework for prioritising projects
5. Social impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	5. 

Nauru	Evidence of use in practice...
1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the project) a. Is there a specific methodology for the assessment?	According to the National Infrastructure Investment Strategic Plan (NIISP), there are different expectations depending on the project source. For development partner projects, these include detailed feasibility assessment, including financial and economic analysis including detailed financial and economic appraisal according to the International Financial Institutions cost-benefit analysis guidelines before approval. Other projects, proposed by Nauru line ministries or utilities submit a New Project Proposal (NPP). While a NPP template was not found, others that have reviewed the NPP state it includes a section on economic impact and cross-cutting issues. Given the small size of the Government of Nauru and the lack of mention or methodological papers to support cost-benefit analysis, it is not expected that the NPP would include a cost-benefit analysis requirement. Appendix F of the NIISP does provide some guidance on cost estimation. KPI for KDP for CBA to be conducted on water and sanitation reports is only 10%, suggesting very low use of cost-benefit analyses.
2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities) a. Is there a specific methodology for the assessment?	For each prioritised project, the NIISP sets out the estimated costs, overall and per year between 2021/2022 and 2024/2025. These did include maintenance costs. In the National Sustainable Development Strategy (NSDS), Nauru stated it would commit to transparent budgeting and public procurement frameworks (in alignment with the Addis Ababa Action Agenda) (NSDS, p. 45). While multiple years of Medium Term Fiscal Strategies and Budget Papers (for example: https://naurufinance.info/wp-content/uploads/2020/09/Nauru-Fiscal-Strategy-2020.pdf, and page 21-22 https://naurufinance.info/wp-content/uploads/2021/05/BP-1-Budget-21-22_final.pdf, make reference to the NIISP and fund prioritised projects within it, it is unclear how this is done from year to year, how other investment options are prioritised against those listed in the NIISP, and how fiscal costs are managed. It is unclear how fiscal costs are managed from budget to budget. For example, the highest priority project in the NIISP is renovating an old build for a maternity ward, and is estimated to cost AUD \$320,000. The 21-22 budget includes AUD\$1.5 million for a new maternity ward (described as a project highlighted in the NIISP). The 20-21 Budget includes \$1.2 million for “health infrastructure, including new acute ward, isolation, paediatrics and maternity ward improvements, flood control and improved storage of supplies.” (Page 12 https://naurufinance.info/wp-content/uploads/2020/07/BP-1-2020-21-Final-20200603.pdf) It’s not clear that these projects are necessarily all the same, but if so it would be unclear how the budget has increased dramatically, and if the repeated budget instalments are due to project delays or unforeseen costs etc.
3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)	3. ❌ Neither the National Sustainable Development Strategies (NSDS) nor the NIISP mentions private public partnerships as a funding or implementation strategy. While it would be appropriate for a project submission like the NPP to include a question on PPP suitability, there is no indication from any sources that the NPP template does include such a question.

Nauru	Evidence of use in practice...
4. Environmental impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	4.  Pursuant to Environmental Management and Climate Change Act, Part 5. 17 (1) A person intending on undertaking a substantial development project as set out under Schedule 2 shall apply to the Secretary in the prescribed form and provide proof of payment of the prescribed fee for approval of the project. (2) An application under subsection (1) shall include: (a) a project brief; (b) an environment management plan; and (c) a pollution control and waste management plan. a.  b.  Pursuant to Environmental Management and Climate Change Act, Part 5. 20, (1) On referral of an application and environmental impact assessment report under this Part by the Secretary, the Committee shall: (e) conduct any necessary consultations with relevant stakeholders on the merits of the application. c.  The NSDS uses Environment Impact Assessments as an example of how those responsible for managing infrastructure have insufficient capacity, e.g., management that considers Environment Impact Statements (EIS) (NSDS, p. 29). This suggests that even if EIS are conducted, there may not be the capacity for the manager of the infrastructure asset(s) to meaningfully consider this in their decision-making.
5. Social impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	5.  As part of EIA (any necessary consultations with relevant stakeholders) a.  b.  (See above EIA) c. 

Palau	Evidence of use in practice...
1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the project) a. Is there a specific methodology for the assessment?	1.  (a simple cost-benefit analysis for project prioritisation scoring purposes) a.  The NIIP states that the in the process of prioritising projects, some simple cost-benefit analysis is required. This consultant was unable to find advice on calculating benefits for cost-benefit analysis, whether simple or detailed. The implications of this are set out in the main report.
2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities) a. Is there a specific methodology for the assessment?	The affordability of investments will be considered as part of the annual budget process (see main report for description). No specific methodology is provided around this, although it would be expected for the Budget and Planning function of the Ministry of Finance to have such a methodology for considering how to manage the cost and sequencing of the prioritised infrastructure projects from the NIIP. According to USA Graduate School analysis, “the government is unlikely to be able to consider using its own funds for investment in infrastructure until FY 26 at the earliest.” The government passed the Fiscal Responsibility and External Debt Management November 2021, incorporating debt management policies and strategies. The Debt Management Unit is ultimately responsible for assessing and monitoring direct and contingent fiscal obligations (Executive Order no.460). Palau has recognised its need (in the Fiscal Responsibility Framework, p. 15 and the Voluntary Review on the SDGs, p. 31, the NIIP on page 65 and the Economic and Fiscal Update 2023, on page 42) to diversify its funding sources (historically relied on Compact Funding, concessional loans or capital grants). Relevant recommendations include creating an Infrastructure Reserve Fund from budget savings, PPPs and the creation of an Asset Management Board to manage and regulate government investments and infrastructure developments. These recommendations were made in 2021, and evidence of implementation has not yet been found by this consultant.
3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)	In 2021, Palau’s president issues Executive Order no.460 which establishes a National Policy for PPP governance and transparency procedure, including assessing which projects are suitable for PPP. The PPP transparency procedure will apply to state governments and to unsolicited proposals. The ADB is providing support to Palau in relation to these reforms. Subprogram 2 of the proposed policy-based loan from ADB aims to assist the government to prepare a framework for public-private partnerships (PPP).

Palau	Evidence of use in practice...
4. Environmental impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	4.  Pursuant to Chapter-2401-61-20 EA-EIS-Regulations, An Environmental Assessment is required for an action where the impacts are not yet determinable An Environmental impact Statement shall be required [...] for all actions that will or may have significant impact that must be mitigated. (The MTDS records that key issues facing the environment and natural resources sector are: (i) the lack of an overarching policy framework, (ii) an outdated, inappropriate and cumbersome regulatory framework, (iii) overlapping and conflicting mandates and functions, (iv) insufficient funding leading to difficulties in undertaking evaluation, review, monitoring, compliance, and enforcement activities, and (v) ongoing tensions between state and national governments as to land and resource ownership and management and Environmental Quality Protection Board requirements.) NIIP a.  outlined in regulations b.  2401-61-20 Draft EIS Content Requirements, A. 8. A detailed description of consultation activities with the local community, land/resource owners, and relevant stakeholders along with a detailed list of comments and/or responses to the comments and/or recommendations raised during said consultation. c.  According to the National Environment Protection Council's 2019 State of the Environment Report, the process for triggering environmental assessments for earth-moving projects (often relevant to road, water and sanitation projects) is ambiguous and a large number of projects have been exempted from having to conduct an assessment. "Exemptions and inconsistencies in the application of EA requirements have resulted in fewer projects considering environmental impact through an EA than is environmentally desirable." However, when they are conducted, all assessments are usually available for public comment.
5. Social impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	5. The multi-criteria analysis process of project prioritisation in the NIIP includes considerations of benefits to disadvantaged households and improvements to social welfare and social infrastructure. These categories have a lower weighting than economic and employment recovery criteria (noting this weighting may be changed in future years). a.  While these are considered, the NIIP does not provide a specific methodology for this assessment, nor methodologies for the case where further investigation into these impacts is required. b. Social assessments provide for community consultation (see row above for use in practice), as do Environmental Impact Assessments. c. 

Papua New Guinea	Evidence of use in practice...
1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the project) a. Is there a specific methodology for the assessment?	1.  For non-PPP investments  For PPP investment According to Section 8.1.4 of the PPP Policy, the analytical framework which should accompany the Concept Note, and which will form the basis for the review by the PPP Centre will include an economic analysis and a social cost-benefit analysis. a.  A PPP case study was identified, and includes description of benefits. An investigation into the assessment of benefits or PPP modality process was not within the scope of this study but could be a starting point for in-country research.
2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities) a. Is there a specific methodology for the assessment?	2.  Department of Treasury publishes a 5-year Medium Term Fiscal Strategy Outlook that sets out how to incorporate Mid-Term Development Plans (MTDPs) (ranging from prioritising expenditures around national priorities in 2002-2007 to allocate two-thirds of budget to key MTDP enablers in 2013-2017. However, the process to estimate and consider commitments is not clear, nor includes a specific methodology in the MTDP or other documentation. For PPPs however, there are more specific requirements. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities). Pursuant to Section 8.1.4 of the PPP Policy, the analytical framework which should accompany the Concept Note and which will form the basis for the review by the PPP Centre is as follows: + “Whole-of-life” costs; + Preliminary project financial appraisal; a. 
3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)	3.  According to Section 8.1.4 of the PPP Policy, the analytical framework which should accompany the Concept Note, and which will form the basis for the review by the PPP Centre will include options for PPP Modalities, versus other modalities such as purely private provision. According to section 8.2.4 of the PPP Policy, an outline business case prepared for National Economic Council approval will include a Public Sector Comparator analysis, which is an assessment of the net cost of the PPP project to the country, including net cost to the Government of retained risks to determine whether PPP represents better value for money than public sector implementation.

Papua New Guinea	Evidence of use in practice...
4. Environmental impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	4.  Pursuant to Section 50 of the Environment Act: (1) Where the Director receives a notification of intention to carry out preparatory work in relation to a proposed level 3 activity, he shall serve a notice on the proponent named in the notification requiring the proponent to undertake an environmental impact assessment in relation to the proposed activity. (2) Where a proposed level 2 activity – (a) involves an industrial or manufacturing process which has not previously been used in Papua New Guinea; or (b) is specifically the subject of obligations under any international treaty, convention or instrument to which Papua New Guinea has ratified; or (c) which poses a threat of serious environmental harm, the Minister may, on recommendation of the Council, determine that the activity relates to matters of national importance and require the Director to serve a notice on the proponent requiring him to undertake environmental impact assessment in relation to the proposed activity. Article 51 of the Environment Act (and other articles within that law) further regulates how an EIA is conducted. It should, however, be noted that an EIA is option in the case of road infrastructure as pursuant to section 12.5 of Schedule 1 of Regulation No. 30 (Environment Prescribed Activities), the construction of new national roads is a level 2 activity. a.  Division 3 of the Environment Act does provide some guidelines for as to how an Environmental Impact assessment should be conducted, but it is related more so towards procedural matters (approval, reporting, etc.). b.  Consultation process with affected communities explicitly included in the environmental impact assessment. Pursuant to Section 54 of the Environment Act: (4) The Director may for the purposes of assessing a proposed activity under this section – (b) call a conference of interested persons to discuss the application; or (c) refer the environmental impact statement to the Environment Consultative Group; or (d) appoint a committee to conduct a public inquiry and report its findings to the Director; or (e) take any or all of the courses of action set out in Paragraphs (a), (b), (c) and (d) inclusive or take such other investigations and inquiries as he thinks fit. Furthermore, According to Section 55 of the Environment Act, (1) The Director shall cause – (a) any information provided in compliance with a requirement under Section 54(2)(a) to (d) inclusive; or (b) any environmental impact statement submitted under this Division, to be made available for public review and shall determine the period within which, the extent to which and the manner in which governmental authorities or persons may make submissions to the Director or the Council in respect of that information or report. (2) The Director may give directions to the proponent requiring the proponent to – (a) at his expense and to the satisfaction of the Director, make copies of any information or statement and advertise its availability for public review; and (b) provide copies of that information or statement to such public authorities and persons and members of the public as the Director determines, at such price (if any) as the Director determines; and (c) make a public presentation to persons who are likely to be affected by the carrying out of the activity. (3) For the purposes of complying with this section, the Director may require the proponent to submit a proposed programme of public review for approval by him. (6) The Director may, at any time prior to accepting the environmental impact statement, refer any issues raised during the assessment and public review of the environmental impact statement back to the proponent and require the statement to be amended to address those issues. c.  see above Accusations of environmental studies not being sufficient and/or not independent. In practice, it is the developer who is required to submit an EIS.
5. Social impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	5.  Pursuant to Section 8.1.4 of the PPP Policy, the analytical framework which should accompany the Concept Note and which will form the basis for the review by the PPP Centre is as follows: • Social cost-benefit analysis a.  b.  Pursuant to Section 8.2.4 of the PPP Policy, an Outline Business Case prepared for NEC approval will include the following analyses: Positive public interest based on public consultation. c. 

Solomon Islands

Evidence of use in practice...

1. Socio-economic analysis (cost-benefit analysis of the socio-economic impact of the project)

a. Is there a specific methodology for the assessment?

1. ✗

According to the 2018 Public Investment Management Diagnostic (by PRIF and Ministry of Development Planning and Aid Coordination) "projects are not systematically subject to cost-benefit analysis and there is no published methodology or central support for project appraisal." More recent guidance or methodologies have not been found.

However, the Solomon Islands NIIP process uses whole of life costs of projects when estimating their budget. High-level guidance on how to do this is available in the NIIP (e.g., that maintenance costs are 2-3% of initial project cost) (NIIP, p. 85). While only one half of the CBA equation, this is still an important development, to avoid overrunning budgets due to poor early estimation or to neglect setting aside funding for maintenance costs.

Despite its changes to other NIIP criteria, the 2021 PIIP still a) estimated maintenance costs into the investment appraisal process and b) used the 2% maintenance guidance.

2. Fiscal Affordability assessment, including the identification of the required long-term public commitments (explicit and implicit, direct and contingent liabilities)

a. Is there a specific methodology for the assessment?

2. ✓

Source: Section 2.2 of the Procurement Manual outlines the project procurement for large and complex project and provides that such plan should embody, "<...> Funding and Estimated Contract Value <...>", among others.

b. ✗

The 2018 Public Investment Management Diagnostic summarised the policy framework for public finance management, showing the differences between Solomon Islands-led and donor partner projects.

While the diagnostic identified the National Transport Plan as providing methodological manual, this was not identified in a scan of the National Transport Plan.

Table 3: Solomon Islands: Overview of Legal and Regulatory Hierarchies for Public Investment Management

Hierarchy/Projects	Government-Funded Projects	Externally-Funded Projects
Tier 1: Legal authority	Public Financial Management Act	Public Financial Management Act
Tier 2: Procedural guidelines	Budget Strategy and Outlook Development Budget Plan National Transport Plan (transport sector only)	Monetary Strategy Debt Management Strategy Aid Management Strategy National Infrastructure Investment Plan National Transport Plan (transport sector only) (In practice, driven by development partner(s))
Tier 3: Methodological manual	National Transport Plan (transport sector only) None for other sectors No standard methodology or manual	Driven by development partner(s) No standard methodology or manual

3. Comparative assessment to evaluate whether a PPP is the best option when compared to other procurement alternatives (i.e. value for money analysis, public sector comparator)

3. ✗

As part of the NIIP process for the 2013-2035 NIIP, projects were assessed on their potential funding sources, which included asking the question "Is this a PPP opportunity?" One of the projects highlighted with PPP potential in the NIIP (Tina Hydropower Project) has been the first large-scale PPP in the Solomon Islands. However, beyond outlining PPP models and their benefits and risks, there is no specific guidance nor methodologies for developing a case to consider PPPs. In 2016, a Centre of Excellence was established within the Prime Minister's office, which was initially run by an external consultant developing guidelines and capacity building. These guidelines were not able to be found.

Solomon Islands	Evidence of use in practice...
4. Environmental impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	4.  Source: Section 2.2 of the Procurement Manual outlines the project procurement for large and complex project and provides that such plan should embody, "Procurement Research: Number of respondents, Stakeholder Research, Industry, Environmental Issue and Quality Assurance Requirements." Moreover, Section 2 of the Environment Act of 1998 provides, "environmental impact assessment" means the assessment of environmental impact of an existing or proposed development under Part III." Section 8 discussing an Environmental Report aiming to, "(c) a review of programs and activities carried on by the private sector, public authorities and non-government organisations that have a direct or indirect bearing on the functions of the Division." Sections 15-33 of the Act furthermore detail the environmental impact assessment process. a.  : The Environment Act of 1998 provides such a methodology. b.  : Consultation process with affected communities explicitly included in the environmental impact assessment c. 
5. Social impact assessment a. Is there a specific methodology for the assessment? b. Consultation process with affected communities explicitly included in the environmental impact assessment c. Is there a specific methodology for the assessment?	5.  Part of EIS According to the Environment Act of 1998, Section 2, "environment" includes all natural and social systems and their constituent parts, and the interactions of their constituent parts, including people, communities and economic, aesthetic, culture and social factors." Therefore, the social impact assessment (SIA) is performed as part of the environmental impact assessment (EIA) and provisions applicable to EIA also apply to SIA, particularly, sections 15 to 33 of the Environment Act of 1998. a.  The Environment Act of 1998 provides such a methodology. b.  Consultation process with affected communities explicitly included in the social impact assessment. The social impact assessment (SIA) is performed as part of the environmental impact assessment (EIA) within the meaning of the Environment Act of 1998, Section 2 and provisions applicable to EIA also apply to SIA, particularly, in respect of the public consultation process as stated in the section 24 of the Environment Act of 1998. c. 

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